

# Design Concepts for New HR System

**May 2003**

Department of Personnel



<http://hr.dop.wa.gov/hrreform>

# Overview

- ◆ The Personnel Reform Act of 2002 presents an extraordinary opportunity and challenge to completely redesign the state's human resource system.
- ◆ The Department of Personnel is committed to continuing to involve all affected parties in design of the new system.
- ◆ For the most part, system changes must be implemented by July 2005.

# Collective Bargaining

- ◆ New system applies fully to those not in bargaining units, and may be superceded for employees in bargaining units.
- ◆ Employees excluded from bargaining:
  - ◆ Washington Management Service
  - ◆ Exempt and confidential employees
  - ◆ Internal auditors
  - ◆ Staff in DOP, OFM, and portions of AGO
  - ◆ Judiciary and legislative employees

# Subjects for Collective Bargaining

- ◆ Mandatory subjects for bargaining:
  - ◆ Wages and hours
  - ◆ Insurance benefits – only the dollar amount
  - ◆ Other terms and conditions of employment
- ◆ Excluded from bargaining:
  - ◆ Pensions
  - ◆ Inherent management policy (e.g., structure of an organization, use of technology, agency size or budget)
  - ◆ Financial basis for layoff
  - ◆ Directing and supervising staff
- ◆ Permissive (determined by OFM):
  - ◆ Classification system; rules pertaining to exams, job referral criteria, appointments, affirmative action, delegation of authority

# Vision and Overall Design Concepts

**Vision:** A responsive human resource system that flexes with state government's changing business needs, and treats employees with fairness, dignity, and respect.

## **Design Criteria:**

- ◆ Minimal number of rules
- ◆ Ensures fair treatment for employees & managers
- ◆ Easy to understand and simple to use
- ◆ Fast and responsive to a variety of needs and situations
- ◆ Open and flexible; provides multiple options
- ◆ Adaptable to change; can be easily modified & improved
- ◆ Automated to the degree possible
- ◆ Focused on outcomes, rather than process

# Customer Research

- ◆ Extensive surveys of state employees, managers, and human resource staff to determine needs and preferences
  - ◆ Approximately 4,200 respondents representing broad cross section of agencies and job levels
- ◆ Focus groups and feedback forums
  - ◆ More than 50 information and feedback sessions throughout the state
  - ◆ Estimated 3,000 attended feedback sessions
- ◆ On-going feedback forum on web site

# System Research

- ◆ Extensive research was done to determine trends and best practices among other public and private sector employers.
- ◆ A team worked from June through August 2002 collecting information from:
  - ◆ All 50 states, federal and local government, other countries.
  - ◆ Selected universities, private sector, and HR organizations.
  - ◆ Dozens of reports, articles, books, and web sites.

# Concept Teams

- ◆ Interagency teams were made up of managers, human resource professionals, and union representatives
- ◆ Teams developed initial design concept recommendations for key components of new HR system:
  - ◆ Classification and compensation
  - ◆ Recruitment and selection
  - ◆ Reduction-in-force (RIF) process
  - ◆ Performance management
  - ◆ Work/life balance



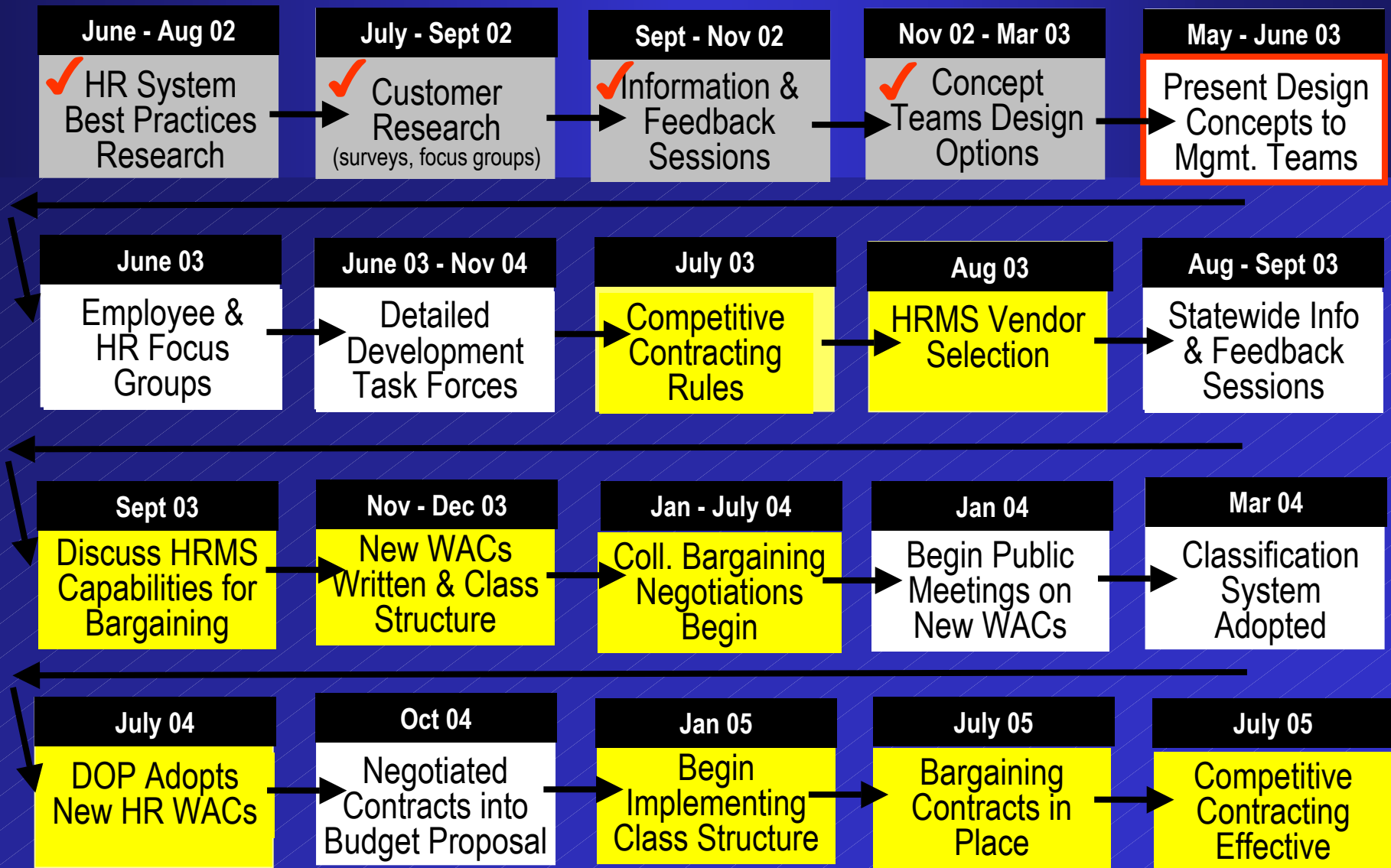
# Refined Design Recommendations

- ◆ The Concept Teams presented recommendations to the Department of Personnel for further analysis and refinement.
- ◆ After careful review, DOP selected those recommended options (or modifications thereof) which were most viable and should be presented for feedback to a broader audience.

# Management Team Meetings

- ◆ Beginning in May, DOP is meeting with agency management teams to present design options and recommendations.
- ◆ Management teams will be asked for input through a list of questions and issues to be considered.
- ◆ DOP is available for follow-up discussions if requested.

# Real Timeline



# Classification System

## Classification

# Classification System

Personnel Reform Act called for a new classification system that would:

- ◆ Improve effectiveness and efficiency of service delivery.
- ◆ Substantially reduce the number of job classifications.
- ◆ Facilitate the most effective use of state personnel resources.
- ◆ Be responsive to changing technologies, economic and social conditions, and needs of citizens.
- ◆ Value workplace diversity.
- ◆ Facilitate reorganization and decentralization of services.
- ◆ Enhance mobility and career advancement.

## Classification

# Present Classification System

- ◆ Each position is placed into a narrowly defined job classification.
- ◆ There are currently 2,400 separate job classes for general government and higher education.
- ◆ Each job class is assigned to one of 83 narrow salary ranges.

## Classification

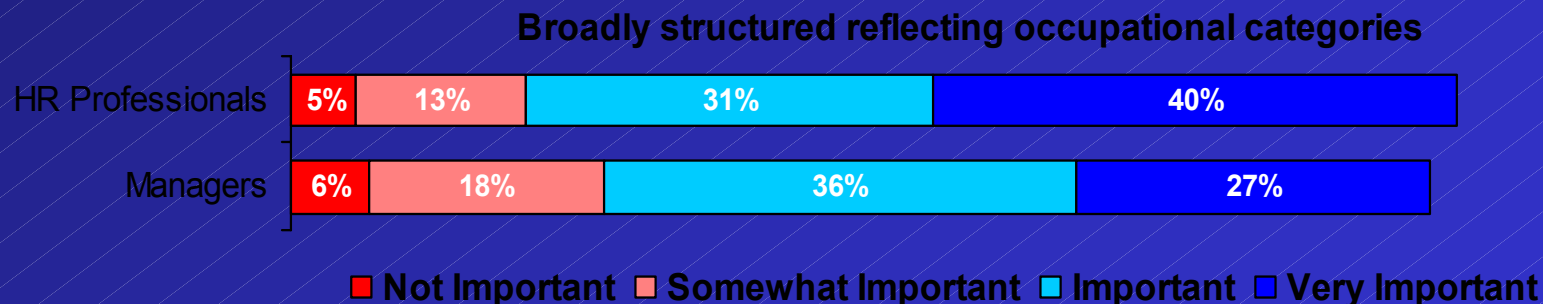
# Problems with Present Classification System

- ◆ Customers have said the system is too complex, cumbersome, and rigid.
- ◆ System provides little flexibility to reorganize or change job responsibilities based on changing technologies, customer needs, etc.
- ◆ System encourages proliferation of classes.
  - ◆ Incentive to create new classes in order to obtain salary increases
- ◆ It does not facilitate employee mobility/career paths.

## Classification

# Research Findings

- ◆ Overall trend in other states is towards reducing the number of job classifications (some now have 250-500).
- ◆ A common approach is to use occupational groupings.
- ◆ About two-thirds of managers and HR professionals favored some type of broader classification system.

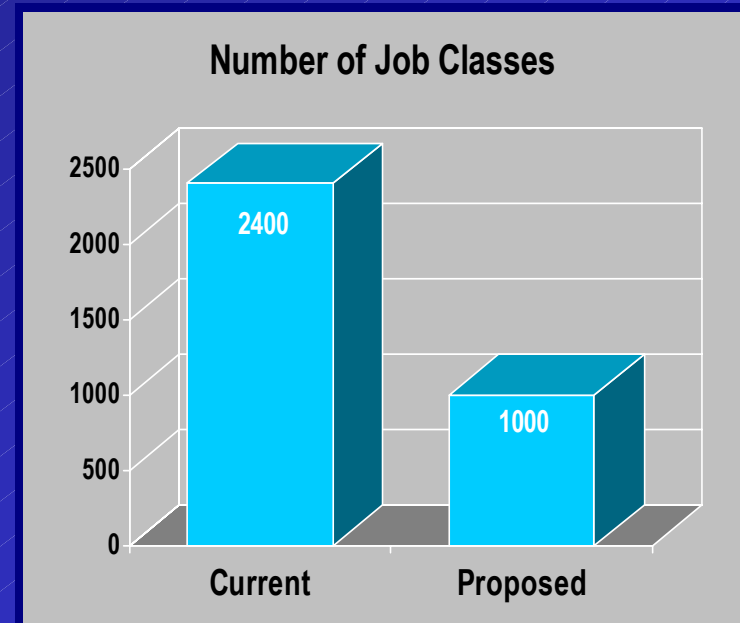




## Classification

# Design Option: Occupational Categories

- ◆ Consolidates current job classes into broad occupational categories.
- ◆ Positions could be assigned to one of four levels within each occupational category:
  - ◆ Level 1 – Entry
  - ◆ Level 2 – Journey
  - ◆ Level 3 – Senior
  - ◆ Level 4 – Supervisory
- ◆ Could yield approximately 800-1,200 job classes.
- ◆ Agency involvement will help determine final categories.



## Classification

# Advantages of this Option

- ◆ Substantially reduces number of job classes
- ◆ Easy to understand and work with
- ◆ Minimizes process and administrative time and cost
- ◆ Easily decentralized
- ◆ Enables users to respond to changes
- ◆ Enhances mobility and career growth opportunities
- ◆ Provides flexibility to implement new compensation tools and move toward a performance based culture
- ◆ Addresses many of the concerns and preferences state employees expressed as part of customer research

# Compensation System

## Compensation

# Present Compensation System

- ◆ Each job class is placed in a salary range.
- ◆ Each salary range is approx. 28% wide from minimum to maximum salary.
- ◆ Each salary range is made up of 11 pre-defined steps (A-K) that are approximately 2.5% apart in value.
- ◆ Employees receive approx. 5% step increases annually, based solely on longevity.
- ◆ From step A, it takes 4 1/2 years to reach the top step, after which employees receive only legislatively enacted cost of living increases.

## Compensation

# Problems with Present Compensation System

- ◆ Rigid system is obstacle to recruiting and retaining top performers or those with special skills.
- ◆ Longevity-based increases provide no recognition for excellent performance.
- ◆ It is de-motivating for good performers who are paid same as poor performers in same job class.
- ◆ Nearly two-thirds of classified employees are at step K, with no room for salary growth unless promoted or reallocated.

## Compensation

# Customer Research Findings

Majority felt other factors need to be considered in determining salary, instead of or in addition to longevity



## Compensation

# Trends and Best Practices

- ◆ Overall trend is to support a performance-based culture, where monetary awards are tied to attainment of pre-defined goals.
- ◆ Many states are moving towards more flexible systems with broader salary bands and/or pay options that allow for recognition of factors such as:
  - ◆ Labor market shortages
  - ◆ Education, training, and skill development
  - ◆ Performance awards for both individuals and groups
- ◆ Average number of salary ranges is 37, compared to Washington's 83. Most actually have 30 or fewer.

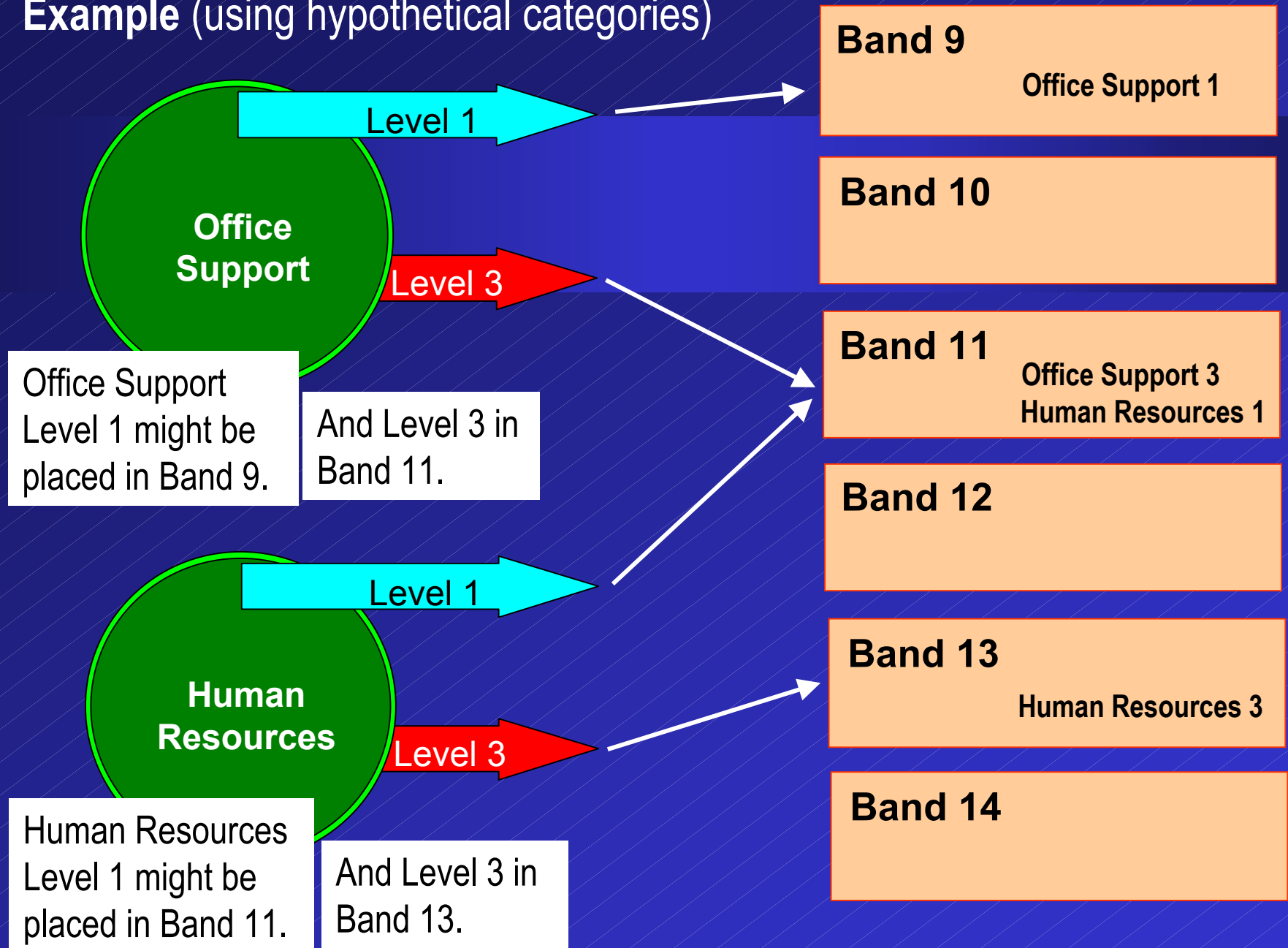
## Compensation

# Design Options

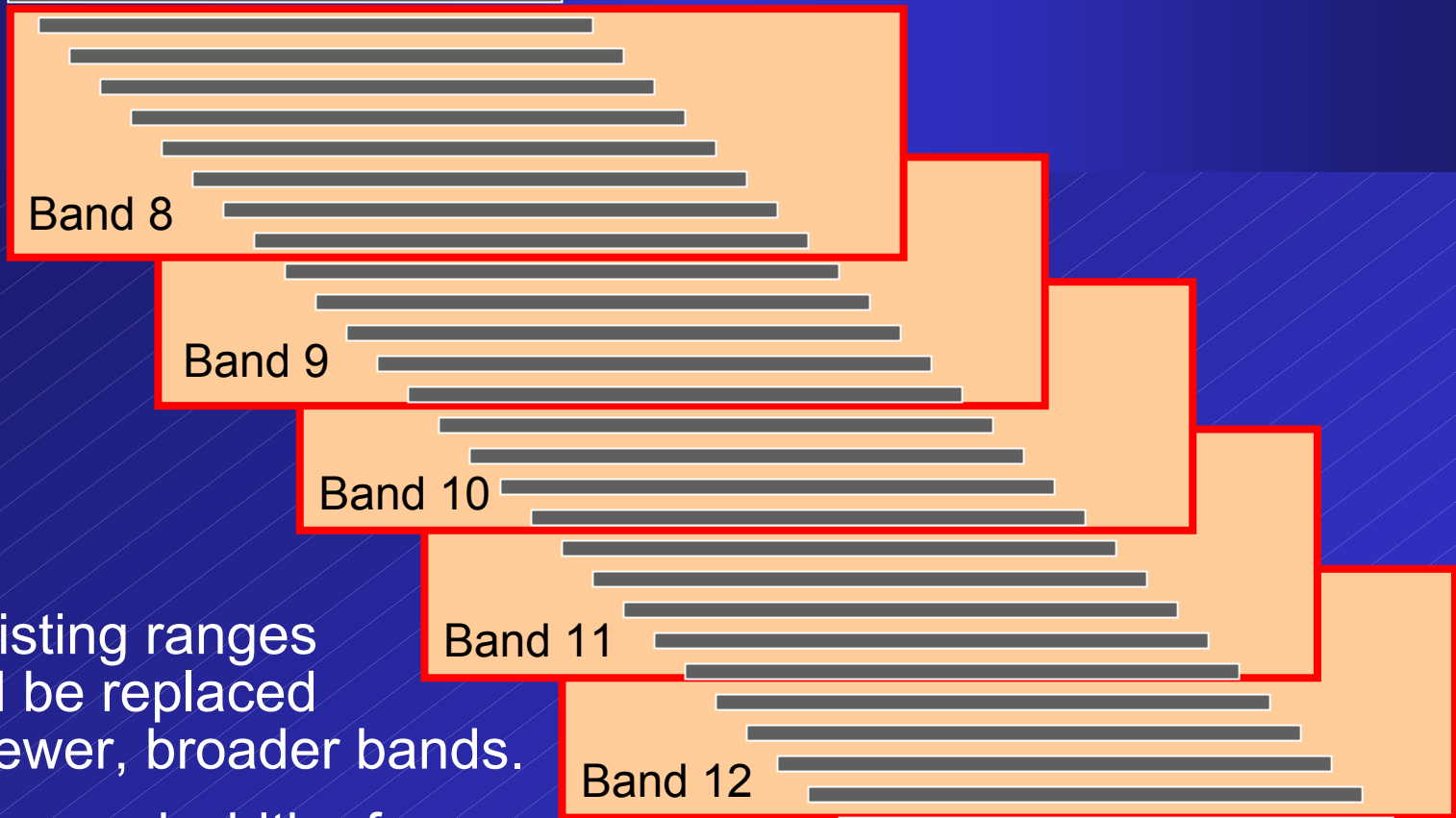
- ◆ Current salary ranges would be consolidated and broadened into fewer, wider bands.
- ◆ Each level of an occupational category would be assigned to a different band; similar to current system of assigning each job class to a salary range.
- ◆ Just as multiple job classes may be assigned to the same salary range, multiple occupational category levels could be assigned to the same band.



## Example (using hypothetical categories)



# Example

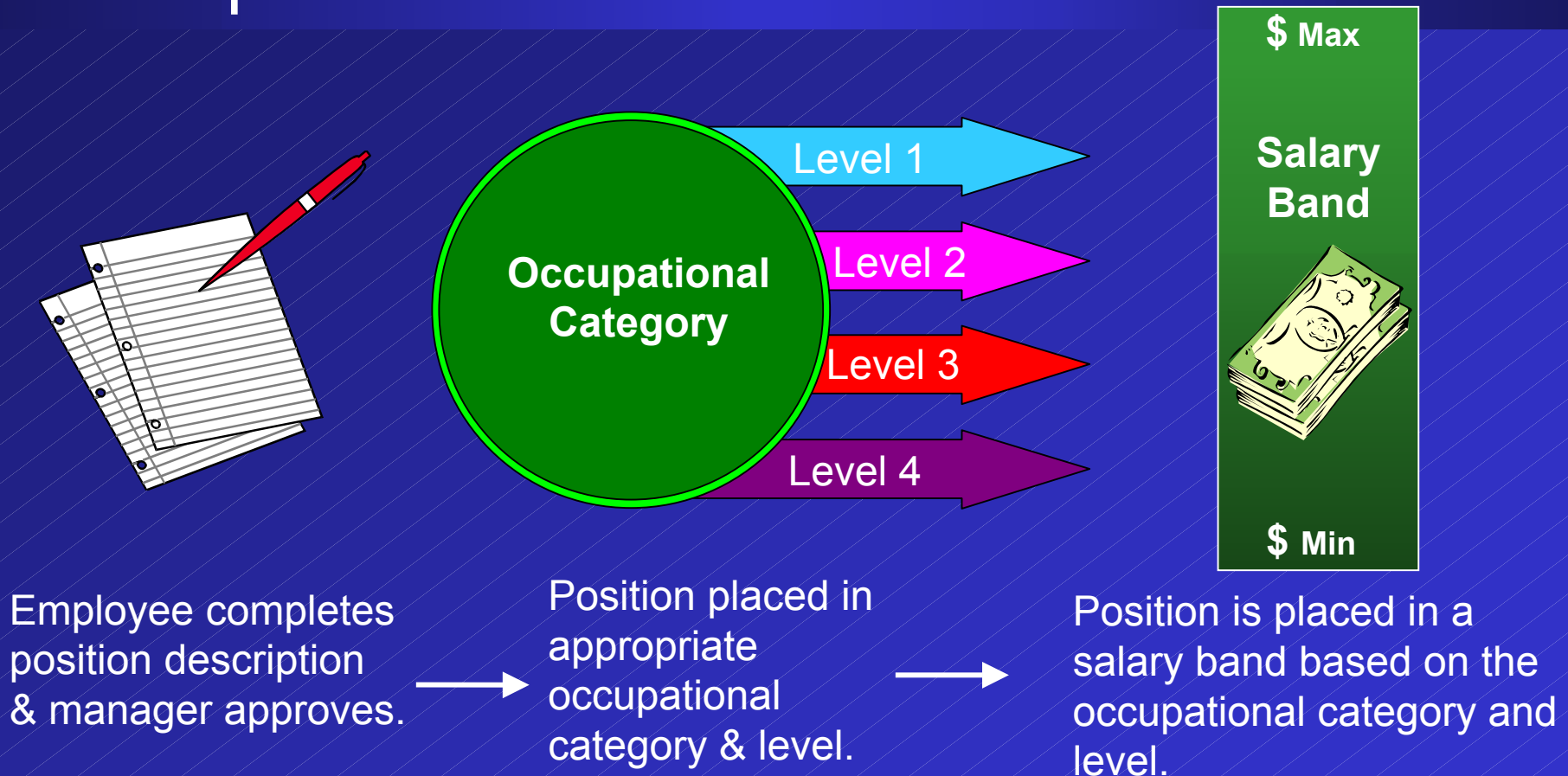


83 existing ranges  
would be replaced  
with fewer, broader bands.

Number and width of  
bands would be based on final job  
categories as determined by  
customer input.

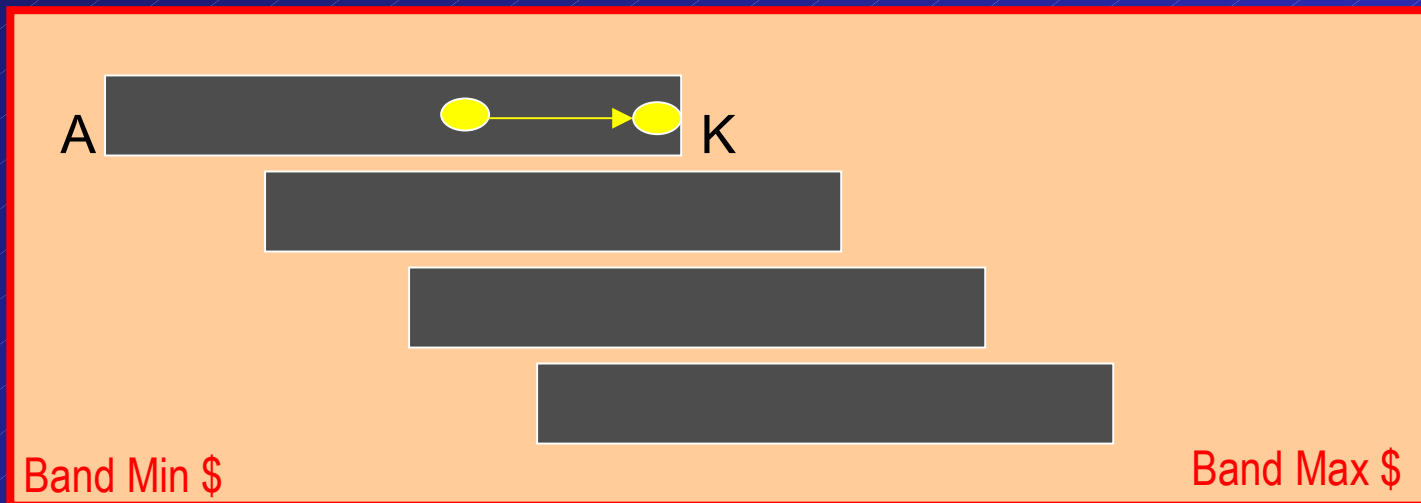
# Compensation

## Example



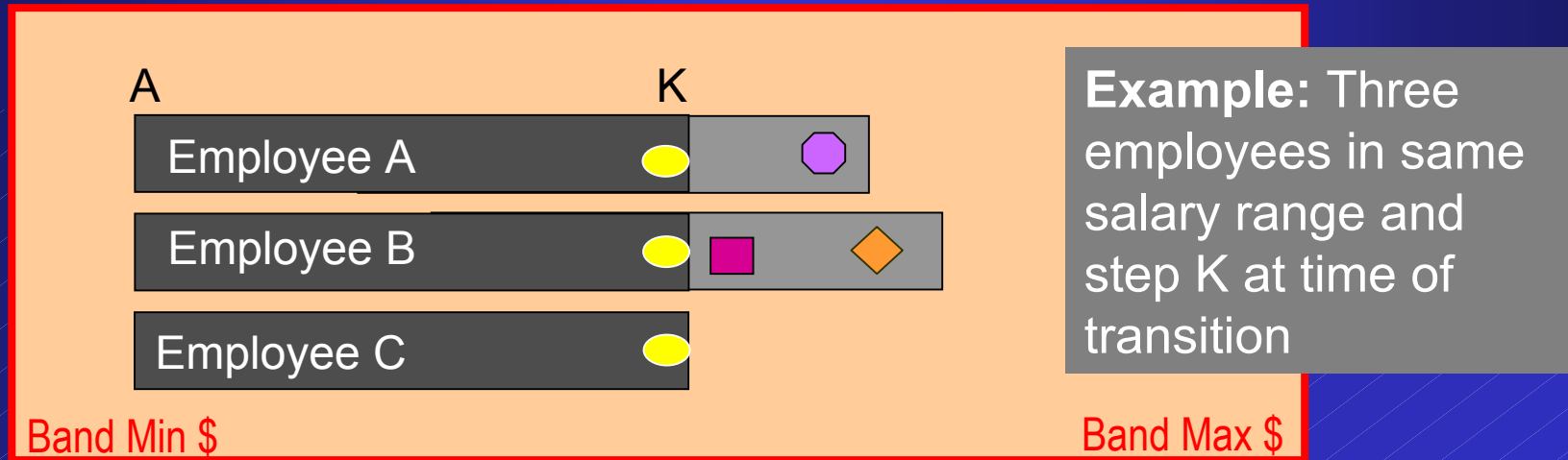
## Compensation

# Example – Initial Transition



- ◆ Employee transitions in at existing salary.
- ◆ If not at step K, continue to receive longevity increases until reaching step K (most are at step K).

# Movement After Transition



Subsequent adjustments of X% to *base* salary based on factors such as:

- Retention/market/geographic issues
- ◆ Performance/value – sustained exceptional performance and/or successful demonstration of valuable new skills
- ◈ *Incremental* increases in duties and responsibilities (no need for formal reallocation to a higher job class)

## Compensation

# Subsequent Placement of Employees

After the transition, an employee's salary spread within the band could be based on analysis of factors such as:

- ◆ Internal alignment and equity
- ◆ Special competencies, skills, and experience brought to the job
- ◆ Extraordinary position-specific circumstances such as locality, recruitment/retention, etc.
- ◆ Hiring incentives

## Compensation

# Design Options

- ◆ Within the band, each position would be assigned a salary spread of X% for longevity-based increases (similar to current salary ranges).
- ◆ Beyond that point, an option is to allow employers to award “performance/value” increases up to X%.

## Compensation

# Performance/Value Increase Options

- ◆ Applied only after all longevity-based increases.
- ◆ Not automatic.
- ◆ Based on *sustained* high performance set forth and documented in the employee's performance plan and appraisal.
- ◆ Based on development and successful ongoing demonstration of special skills and knowledge that significantly enhance value to the organization.
- ◆ DOP provides distinct criteria and documentation tools.
- ◆ Contingent upon agency policy and budget controls.



## Compensation

# Options for Controlling Salary Growth

- ◆ By rule, establish criteria for increases within band.
- ◆ Agency sets policy, budget controls, management accountability.
- ◆ DOP consults; provides documentation tools, guidelines, and support systems; and monitors statewide trends to identify and inform agencies of any emerging issues.

## Compensation

# Compensation “Tool Kit” Approach

Base Pay	Pay Practices
1. Longevity progression steps	1. Overtime
2. Performance/value increases	2. Exchange time
3. Promotions	3. Recruitment/retention pay
4. General increases	4. Assignment pay
5. Partial salary survey	5. Skill-based pay
	6. Shift differential
	7. Stand-by
	8. Call back
	9. Equity alignment pay
	10. Recognition pay
	11. Severance pay

# Recruitment & Selection

# Trends and Best Practices

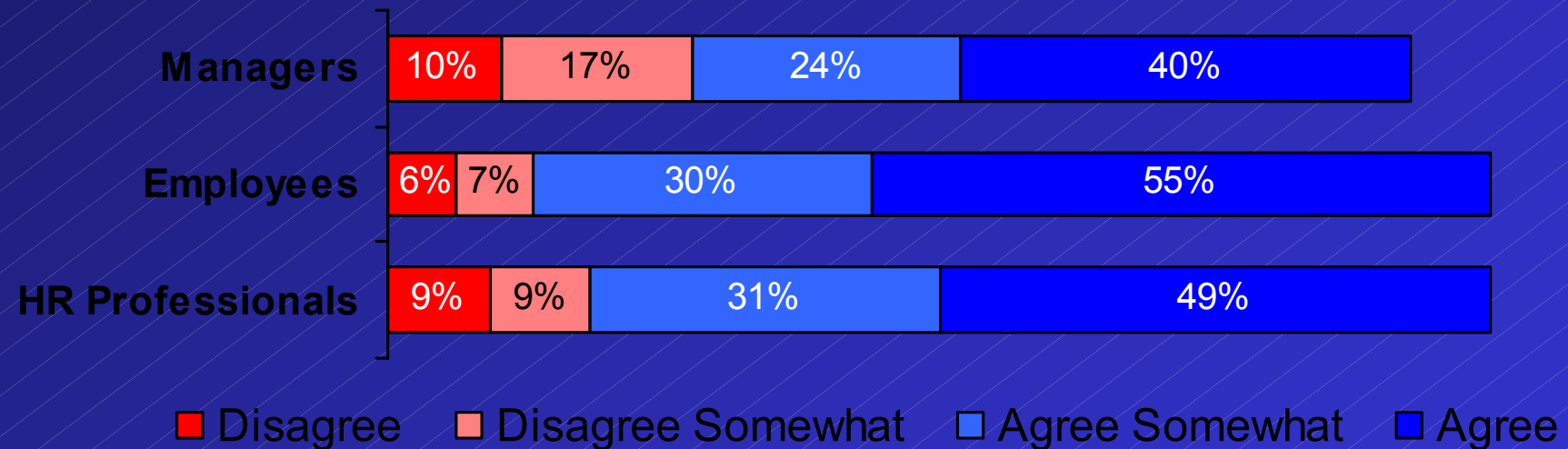
In order to achieve high quality service at the lowest cost, employers must be able to hire appropriately skilled and qualified employees in a timely manner. To do this, states are:

- ◆ Making the hiring process more timely and user friendly.
- ◆ Making recruitment more proactive/aggressive.
- ◆ Tracking and monitoring recruitment methods/results.
- ◆ Decentralizing recruitment and selection processes.
- ◆ Providing flexibility in selection methods.
- ◆ Reducing reliance on traditional testing.
- ◆ Removing restrictive regulations.

## Recruitment & Selection

# Customer Research Findings

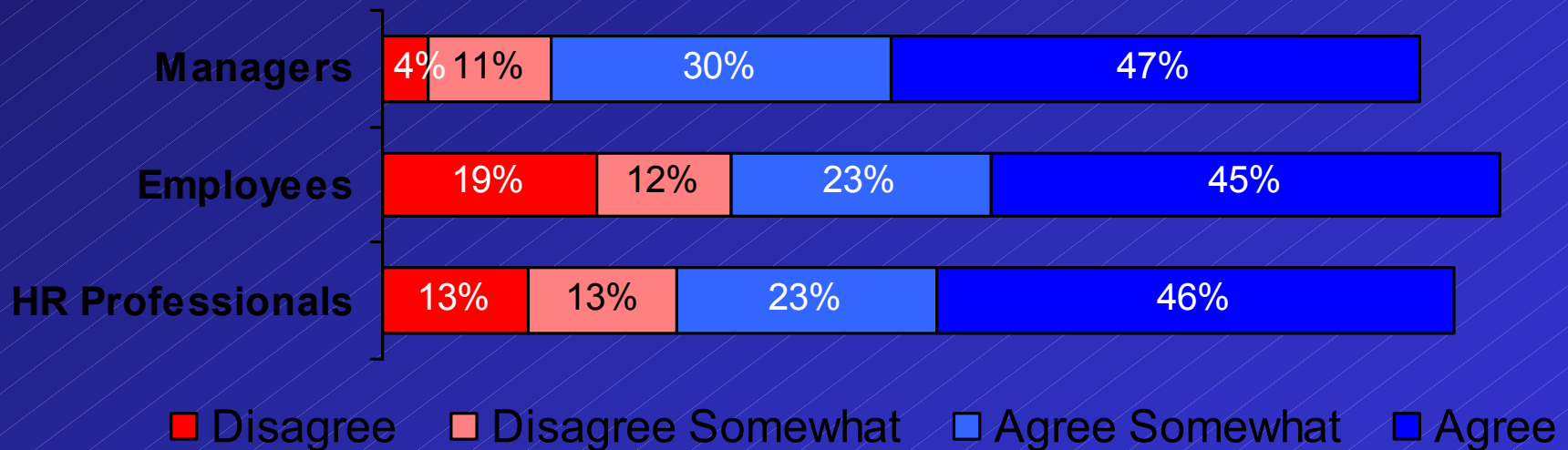
**Applicants able to apply for any job at any time:**



## Recruitment & Selection

# Customer Research Findings

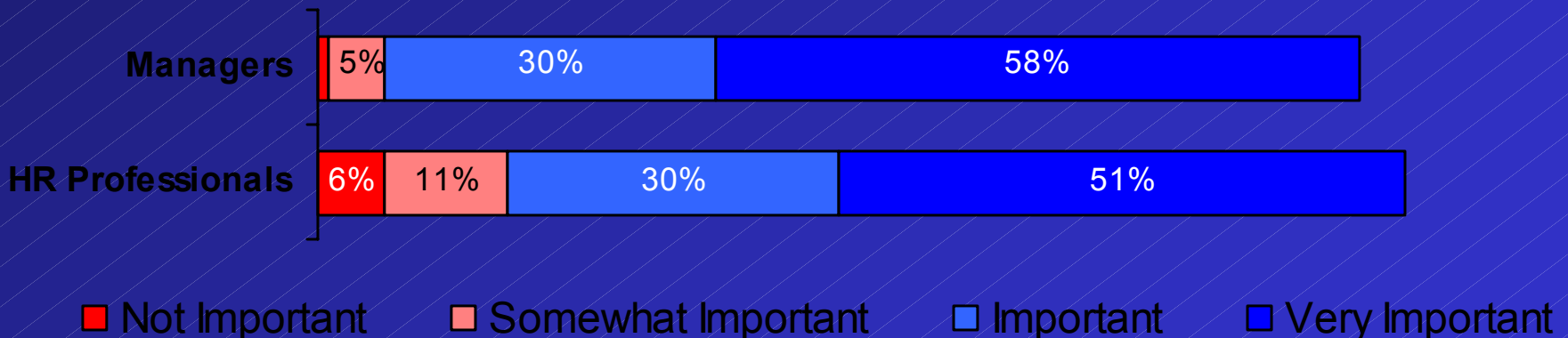
**Desirable qualifications, rather than minimum qualifications:**



## Recruitment & Selection

# Customer Research Findings

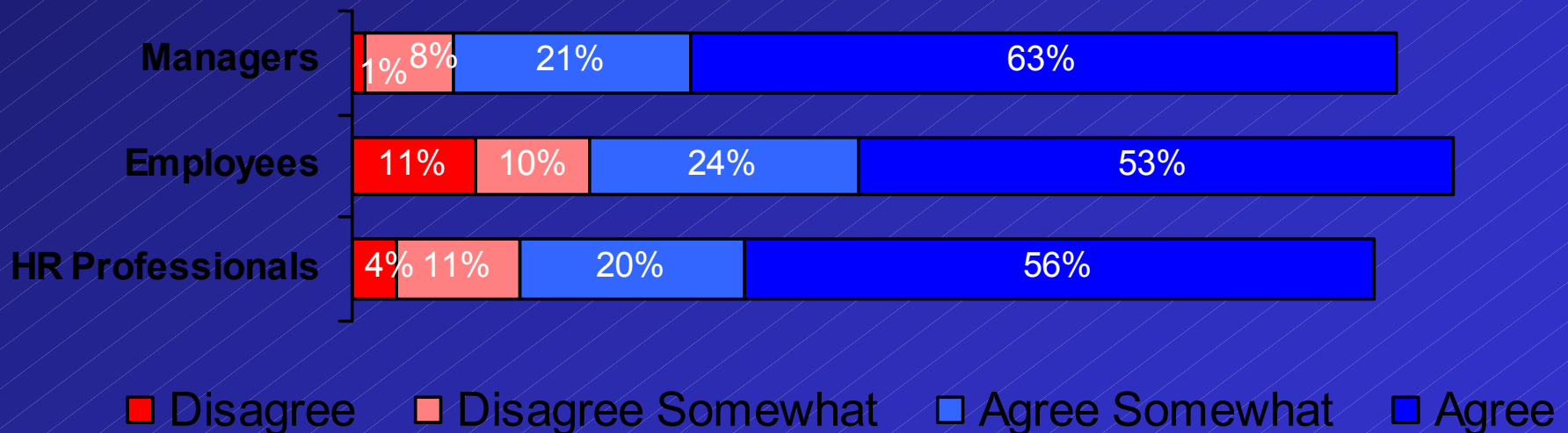
**Candidate screening based on position-specific qualifications, rather than those of entire job class:**



## Recruitment & Selection

# Customer Research Findings

**Consider all qualified candidates, rather than “Rule of 7” limit:**





## Recruitment & Selection

# Funnel Concept

Recruitment & Selection process starts out broad and inclusive and narrows available candidates down to the few who are most appropriate for the position, based on job-related factors.

### Potential Pool

Possible Job Candidates

.....

### Applicant Pool

Candidates with an interest or who meet required/desirable qualifications

.....

### Candidate Pool

Candidates who meet position specific criteria

.....

### Interview Pool

Best candidates for position

**HIRE**

# Centralized/Decentralized Service Options

- ◆ Internet Application services available for all agencies to use for initial application processing.
- ◆ Agencies may request DOP services for specific targeted recruitment.
- ◆ Agencies may request DOP services to develop screening tools.

# Performance Management

# Customer Research Results

- ◆ Importance of strong, effective performance management was a prevalent theme.
- ◆ Need to hold managers accountable.
- ◆ Need more flexibility in determining types of performance rewards, including time off and money.
- ◆ Corrective and disciplinary action processes too lengthy and stressful and often result in little or no action.
- ◆ Too much tolerance of poor performance, which undermines credibility of supervisors and is demoralizing to good performers, who often have to pick up the slack.

# Performance Management Considerations

- ◆ Provide performance recognition tools, as described in the compensation section.
- ◆ Link rewards to meaningful appraisals or other documentation of performance/achievement.
- ◆ Develop a separate or supplemental tool to be designed for use in making pay, hiring, and/or layoff decisions.
- ◆ DOP will provide more detailed guidelines, training, and consultation.

## Performance Management

# Vision

- ◆ Consider a positive discipline approach as an alternative to the existing disciplinary process.
- ◆ Emphasize correcting the problem rather than punishing the employee.
- ◆ Agencies and institutions should have flexibility to determine which process best meets their needs.
- ◆ Agencies and institutions should have the option to pilot a positive discipline approach on a voluntary basis.

# Disciplinary Action Rules

- ◆ Update pertinent rules per customer input.
  - ◆ Update the rule on abandonment to expedite dismissals.
  - ◆ Update the disciplinary causes in the current WACs to create flexibility to address the specific behavior or actions of misconduct.
- ◆ Develop or revise rules for administrative actions or nondisciplinary separations such as loss of licenses, probationary separations, disability separation, etc.

# Reduction-in-Force



## Reduction-in-Force

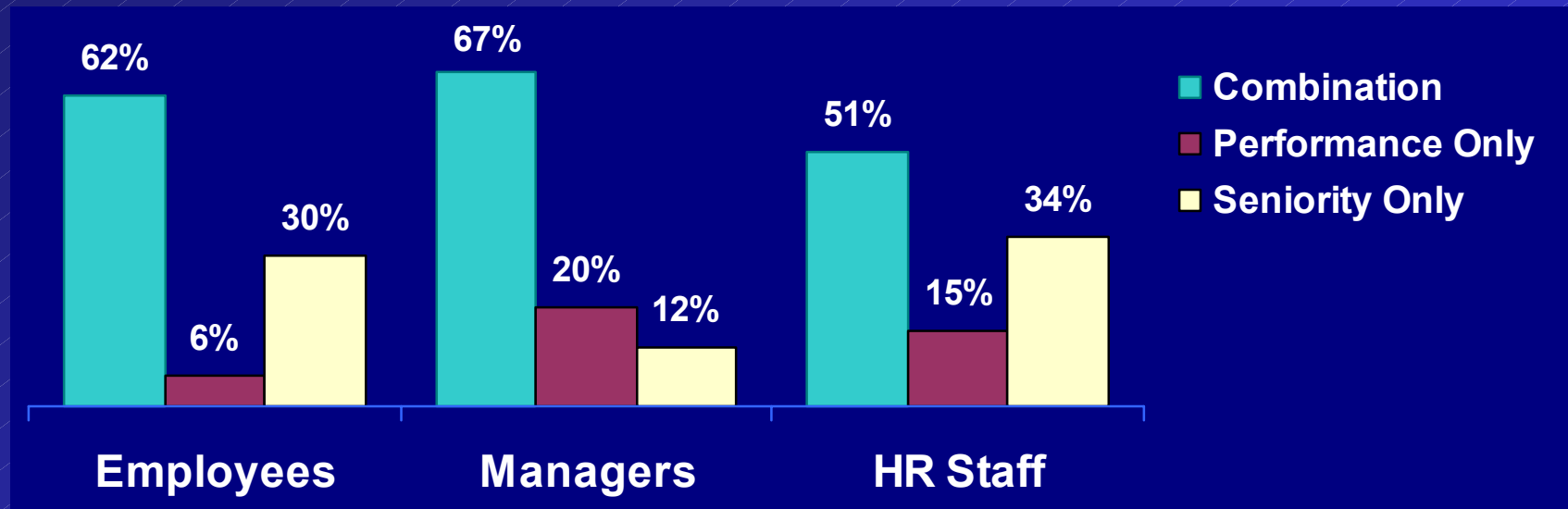
# Present Reduction-in-Force System

- ◆ Historically, by law, seniority has been the sole basis for determining who would be laid off during a reduction-in-force (RIF).
- ◆ Employees may “bump” more junior employees, based on predetermined layoff units and prior status in job class.
- ◆ For re-employment purposes, the most senior employee on a RIF register becomes a referral of one (Rule of 1).
- ◆ RIF rehires do not serve a review period.

## Reduction-in-Force

# Customer Research

Employees, managers, and HR professionals all strongly favor a combination of seniority and performance as the basis for layoff.



## Reduction-in-Force

# Considerations

- ◆ More emphasis on RIF avoidance options and strategies.
- ◆ Discontinue DOP approval of agency layoff procedures.
- ◆ Simplify and automate seniority calculations.
- ◆ Optional review period for rehire into a different agency or job class.
- ◆ Additional options for bumping and rehire.

# Considerations (cont.)

- ◆ Agency/institution could be authorized by rule to include choice of any one or combination of the following factors in its layoff plan or policy:
  - ◆ Seniority
  - ◆ Performance
  - ◆ Skills/competencies
  - ◆ Other legitimate business requirements
- ◆ Each agency/institution would decide how to factor in performance. DOP would provide guidelines, models, and consultation.
- ◆ Agency/institution determines layoff unit composition.

# Work/Life Balance

# Considerations

- ◆ Create a central information source that agencies can tap that better packages work/life balance programs and policies presently available
  - ◆ Employee Advisory Service
  - ◆ Flexible schedules
  - ◆ Shared Leave Program
  - ◆ Dependent assistance programs
  - ◆ Telework
  - ◆ Leave for family care
- ◆ Continue existing policy of agency discretion and flexibility in telework issues.
- ◆ Simplify and consolidate general government and higher education rules.

# Appeals

## Appeals

# Appeal Rights

- ◆ Nonrepresented employees will have appeal rights to the Personnel Resources Board for the following:
  - ◆ Dismissal
  - ◆ Suspension
  - ◆ Demotion
  - ◆ Rules violations
  - ◆ Reduction in salary
- ◆ Represented employees will have provisions negotiated as part of their bargaining agreement.
- ◆ All employees will have appeal rights to the Personnel Resources Board for position exemption, allocation, or reallocation.



# Next Steps

- ◆ Meeting with agency extended management teams beginning in May.
- ◆ Focus groups will be held in June.
- ◆ Proposed design concepts will be refined based on the feedback received.
- ◆ Information and feedback sessions will be held throughout the state beginning in late summer.
- ◆ Information on proposed design concepts will be posted on HR 2005 web site and opportunity provided for feedback.